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**MINNESOTA**  
**MEDICAL ASSISTANCE**  
Federal Budget Impact of TN 02-28  
Attachment 4.19-A: Inpatient Hospital Rate Methodology

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1. Section 15.02 is amended to update the cite to current federal law governing "638" facilities. There is no federal budget impact.
2. Effective October 1, 2002 the payment rates for medical education for inpatient hospitals will be increased for Federal Fiscal Year 2003. The total increase will be \$28,812,814.00. A summary of the costs follows.

	(in 1000's)	
	<u>FFY '03</u>	<u>FFY '04</u>
Total cost	\$28,813	\$0
FFP	50.00%	50.00%
Total MA Cost	\$28,813	\$0
State share	\$14,406	\$0
<b>Federal share</b>	<b>\$14,406</b>	<b>\$0</b>

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**Methods and Standards for Determining Payment Rates for Inpatient  
Hospital Services Provided by Non-State Owned Facilities**

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## SECTION 1.0 PURPOSE AND SCOPE

The Minnesota inpatient hospital payment system under the Medical Assistance Program is authorized by state law. Payment rates are prospectively established on a per admission or per day basis under a diagnostic related group (DRG) system that condenses Medicare categories into Minnesota diagnostic categories. Rates are differentiated by eligibility (Medical Assistance, Minnesota Family Investment Program or MFIP, Medical Assistance non-MFIP) and specialty (Rehabilitation Distinct Part, Neonatal Transfer). The system provides for the payment of operating and property costs with additional payments including a disproportionate population adjustment and an appeals mechanism.

The rate setting methodology is based on the cost finding and allowable cost principles of the Medicare program. The rates are established for each calendar year using hospital specific Medical Assistance claims data and cost that is trended for inflation to the current year from a base year. Rates are rebased to more current data every two years.

The methodology described in this Attachment is effective for admissions occurring on or after October 25, 1993.

To be eligible for payment, inpatient hospital services must be medically necessary.

Minnesota has in place a public process that complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

## SECTION 2.0 DEFINITIONS

**Accommodation service.** "Accommodation service" means those inpatient hospital services included by a hospital in a daily room charge. They are composed of general routine services and special care units. These routine and special care units include the nursery, coronary, intensive, neonatal, rehabilitation, psychiatric, and chemical dependency units.

**Adjusted base year operating cost.** "Adjusted base year operating cost" means a hospital's allowable base year operating cost per admission or per day, adjusted by the hospital cost index.

**Admission.** "Admission" means the time of birth at a hospital or the act that allows a recipient to officially enter a hospital to receive inpatient hospital services under the supervision of a physician who is a member of the medical staff.

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**Allowable base year operating cost.** "Allowable base year operating cost" means a hospital's base year inpatient hospital cost per admission or per day that is adjusted for case mix and excludes property costs.

**Ancillary service.** "Ancillary service" means inpatient hospital services that include laboratory and blood, radiology, anesthesiology, electrocardiology, electroencephalography, pharmacy and intravenous therapy, delivery and labor room, operating and recovery room, emergency room and outpatient clinic, observation beds, respiratory therapy, physical therapy, occupational therapy, speech therapy, medical supplies, renal dialysis, and psychiatric and chemical dependency services customarily charged in addition to an accommodation service charge.

**Base year.** "Base year" means a hospital's fiscal year that is recognized by Medicare, or a hospital's fiscal year specified by the commissioner if a hospital is not required to file information with Medicare, from which cost and statistical data are used to establish rates.

**Case mix.** "Case mix" means a hospital's admissions distribution of relative values among the diagnostic categories.

**Charges.** "Charges" means the usual and customary payment requested by the hospital of the general public.

**City of the first class.** "City of the first class" means a city that has more than 100,000 inhabitants, provided that once a city is defined in such a manner, it can not be reclassified unless its population decreases by 25 percent from the census figures that last qualified the city for inclusion in the class.

**Cost outlier.** "Cost outlier" means the adjustment included in the relative value that is applied to the admission and outlier rates so that payment is adjusted for exceptionally high cost stays. The adjustment is applied to all admissions with an above average cost, including patients that have not yet attained the age of one in all hospitals and that have not yet attained the age of six in disproportionate population hospitals.

**Cost-to-charge ratio.** "Cost-to-charge ratio" means a ratio of a hospital's inpatient hospital costs to its charges for inpatient hospital services.

**Day outlier.** "Day outlier" means an admission where the length of stay exceeds the mean length of stay for neonate and burn diagnostic categories by one standard deviation, and in the case of all other diagnostic categories by two standard deviations.

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**Diagnostic categories.** "Diagnostic categories" means the diagnostic classifications containing one or more diagnostic related groups (DRGs) used by the Medicare program. The DRG classifications must be assigned according to the base year program and specialty groups with modifications as specified in items A to E.

**A. Diagnostic categories eligible under the Medical Assistance non-Minnesota family investment program.** The following diagnostic categories are for persons eligible under Medical Assistance non-MFIP except as provided in items B, C or D:

DIAGNOSTIC CATEGORIES	DRG NUMBERS WITHIN DIAGNOSTIC CATEGORIES	INTERNATIONAL CLASSIFICATION OF DISEASES, 9th Ed. CLINICAL MODIFICATIONS
<b>A. Nervous System Conditions</b>		
(1) Treated with Craniotomy, Age >17	001, 002	
(2) Treated with Craniotomy, Age 0-17	003	
(3) [Reserved for future use]		
(4) [Reserved for future use]		
(5) [Reserved for future use]		
(6) Nervous System Neoplasms	010, 011	
(7) [Reserved for future use]		
(8) [Reserved for future use]		
(9) [Reserved for future use]		
(10) [Reserved for future use]		
(11) [Reserved for future use]		
(12) [Reserved for future use]		
(13) [Reserved for future use]		
(14) [Reserved for future use]		
(15) [Reserved for future use]		
(16) Treated with Other Surgical Procedures	004, 005, 007	
(17) Peripheral, Cranial, and Other Nerve Procedure without CC	008	
(18) Other Nervous System Diseases Treated Without Surgery	013, 015, 017	
(19) Spinal Disorders/Injuries and Nervous System Infection	009, 020	
(20) Specific Cerebral Vascular and Cranial/Peripheral Nerve Disorders	014, 018, 019	
(21) Degenerative and Nonspecific Cerebral Vascular Disorders with CC	012, 016	

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- |                                                                                                                 |                   |
|-----------------------------------------------------------------------------------------------------------------|-------------------|
| (22) Seizure and Headache                                                                                       | 024-026           |
| (23) Traumatic Stupor with Coma<br>> 1 Hr, and Coma < 1 Hr, Age<br>> 17 with CC                                 | 027, 028          |
| (24) Viral Meningitis, Hypertensive<br>Encephalopathy, Concussion<br>Age > 17 with CC, Other Stupor<br>and Coma | 021-023, 029, 031 |
| (25) Concussion, Age 0-17 and Age<br>> 17 without CC                                                            | 032, 033          |
| (26) Stupor and Coma < 1 Hr, Age 0-17<br>and Other Disorders of the<br>Nervous System                           | 030, 034, 035     |

B. Eye Diseases and Disorders 036-048

C. Ear, Nose, Throat, and Diseases and Disorders

- |                                                               |                                                 |                                           |
|---------------------------------------------------------------|-------------------------------------------------|-------------------------------------------|
| (1) Treated with Tonsillectomy/<br>Adenoidectomy Only         | 059, 060                                        |                                           |
| (2) Treated with Myringotomy with<br>Tube Insertion, Age 0-17 | 062                                             |                                           |
| (3) Otitis Media and URI                                      | 068-070                                         |                                           |
| (4) Dental and Oral Disorders                                 | 185-187                                         |                                           |
| (5) [Reserved for future use]                                 |                                                 |                                           |
| (6) Other Ear, Nose, Throat and<br>Mouth Conditions           | 049-058, 061,<br>063-067, 071-<br>074, 168, 169 | Codes in DRG<br>049 except<br>20.96-20.98 |

D. Respiratory System Conditions

- |                                                                                |     |                |
|--------------------------------------------------------------------------------|-----|----------------|
| (1) Treated with Ventilator Support<br>for < 96 Hours                          | 475 | Excludes 96.72 |
| (2) [Reserved for future use]                                                  |     |                |
| (3) Treated with Ventilator Support<br>for 96 + Hours                          | 475 | Includes 96.72 |
| (4) Treated with Tracheostomy Except<br>For Face, Mouth, and Neck<br>Diagnoses | 483 |                |
| (5) [Reserved for future use]                                                  |     |                |
| (6) Respiratory Neoplasms                                                      | 082 |                |
| (7) [Reserved for future use]                                                  |     |                |
| (8) [Reserved for future use]                                                  |     |                |
| (9) [Reserved for future use]                                                  |     |                |
| (10) Treated with Tracheostomy for<br>Face, Mouth, and Neck Diagnoses          | 482 |                |

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- |      |                                                                       |                                           |
|------|-----------------------------------------------------------------------|-------------------------------------------|
| (11) | Simple Pneumonia and Pleurisy,<br>Age 0-17 and Age >17 without CC     | 090,091                                   |
| (12) | Major Chest Procedures and OR<br>Procedures with CC                   | 075, 076                                  |
| (13) | Major Respiratory Diseases and<br>Disorders Treated with Surgery      | 078, 079, 087, 092, 101                   |
| (14) | Other OR Procedures without CC                                        | 077                                       |
| (15) | Specific Respiratory System<br>Diseases and Other Diseases<br>with CC | 080, 081, 083, 085, 088,<br>089, 094, 099 |
| (16) | Respiratory System Diseases<br>without CC and Bronchitis,<br>Age >17  | 084, 086, 093<br>095-097, 100, 102        |

E. Circulatory System Conditions (1)

- |      |                                                                 |                                     |
|------|-----------------------------------------------------------------|-------------------------------------|
|      | [Reserved for future use]                                       |                                     |
| (2)  | [Reserved for future use]                                       |                                     |
| (3)  | Percutaneous Cardiac and<br>Other Vascular Procedures           | 111, 112, 114,116-120,<br>479       |
| (4)  | Major Cardiac Surgeries                                         | 104-106, 108                        |
| (5)  | Other Cardiac Interventional<br>and Surgical Procedures         | 107, 109, 110, 115                  |
| (6)  | [Reserved for future use]                                       |                                     |
| (7)  | [Reserved for future use]                                       |                                     |
| (8)  | [Reserved for future use]                                       |                                     |
| (9)  | [Reserved for future use]                                       |                                     |
| (10) | Major Cardiac Disorders<br>Treated without Surgery              | 122-125, 127, 129, 137,<br>138, 144 |
| (11) | Acute MI, Congenital Heart<br>Disease with CC, and Endocarditis | 121, 126, 135                       |
| (12) | Other Circulatory Conditions                                    | 132-134, 136, 139-143, 145          |
| (13) | Deep Vein Thrombophlebitis and<br>Peripheral Vascular Disorders | 128, 130, 131                       |
| (14) | Procedures for Major Vascular<br>Diseases and Conditions        | 113, 478                            |

F. Digestive System Diseases and Disorders

- |     |                                                          |         |
|-----|----------------------------------------------------------|---------|
| (1) | Treated with Anal and Stomal<br>Procedures               | 157-158 |
| (2) | Treated with Hernia Procedures                           | 159-163 |
| (3) | Treated with Appendectomy with<br>Compl. Prin Diag or CC | 164-166 |



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- |                                                                      |                  |
|----------------------------------------------------------------------|------------------|
| (4) Treated with Appendectomy without<br>Compl. Prin Diag or CC      | 167              |
| (5) Treated with Other Surgical<br>Procedure                         | 146-156, 170-171 |
| (6) Esophagitis, Gastroent, or Misc<br>Digestive Disorders, Age > 17 | 182-183          |
| (7) Other Digestive System Condition                                 | 172-181, 188-190 |

G. Hepatobiliary System Conditions

- |                                                       |              |
|-------------------------------------------------------|--------------|
| (1) [Reserved for future use]                         |              |
| (2) [Reserved for future use]                         |              |
| (3) Cirrhosis and Alcoholic Hepatitis                 | 202          |
| (4) Malignancy of Hepatobiliary<br>System or Pancreas | 203          |
| (5) Disorders of the Pancreas Except<br>Malignancy    | 204          |
| (6) Other Disorders of the Liver                      | 205, 206     |
| (7) Disorders of the Biliary Tract                    | 207, 208     |
| (8) Treated with Surgical Procedure                   | 191-201, 493 |
|                                                       | 494          |
- Codes in DRG  
191 except  
52.80-52.86

H. Diseases and Disorders of the Musculoskeletal System and  
Connective Tissues

- |                                                                            |               |
|----------------------------------------------------------------------------|---------------|
| (1) Treated with Major Joint and<br>Limb Reattachment Procedures           | 209, 472, 491 |
| (2) Treated with Hip and Femur<br>Procedures or Amputation                 | 210-213       |
| (3) [Reserved for future use]                                              |               |
| (4) [Reserved for future use]                                              |               |
| (5) Treated with Wound Debrid or<br>Skin Graft Except Hand                 | 217           |
| (6) Treated with Lower Extrem and<br>Humer Proc Except Hip, Foot,<br>Femur | 218-220       |
| (7) [Reserved for future use]                                              |               |
| (8) Treated with Upper Extremity<br>Procedure                              | 223-224       |
| (9) Treated with Foot Procedure                                            | 225           |
| (10) Treated with Soft Tissue<br>Procedure                                 | 226-227       |
| (11) [Reserved for future use]                                             |               |
| (12) [Reserved for future use]                                             |               |
| (13) [Reserved for future use]                                             |               |
| (14) [Reserved for future use]                                             |               |

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I. Diseases and Disorders of the Skin, Subcutaneous  
Tissue, and Breast

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and Metabolic Conditions 289-293,  
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- Codes in DRG  
292 except 52.80-  
52.86

K. Kidney and Urinary Tract Conditions

- (1) Treated with Kidney, Ureter, or  
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